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## After Havana Talks

## Cuba Would Free Many U.S. Prisoners

WASHINGTON, Aug. 31 (UPI) — Cuba has offered to release hundreds of political prisoners to the United States, beginning with 48 who will be screened by U.S. officials in coming weeks, the Justice Department said today.

Attorney General Griffin Bell will consider admitting the past and present Cuban political prisoners on a case-by-case basis under a special procedure of U.S. immigration law, Justice Department spokesman Terrence Adamson said.

Mr. Adamson said that the individuals involved, plus 30 members of their families who also will be considered for immigration, had applied for entry into the United States.

The announcement comes amid efforts to improve diplomatic relations between Cuba and the United States. The arrangements are the result of discussions in Havana during the last two weeks between U.S. diplomats and Cuban officials, he said.

## Australia Bars Visit By Nixon

CANBERRA, Australia, Aug. 31 (UPI) — The Australian government today rejected a proposed visit by former President Richard Nixon, saying that the "timing would be awkward."

Government officials said that Mr. Nixon's staff in Washington last week approached the Australian Embassy about a visit in September. "His staff asked about the possibility of coming to Canberra in late September and meeting Prime Minister Malcolm Fraser and Foreign Minister Andrew Peacock," a government spokesman said.

"We have had to tell Nixon's staff that the time would be awkward for Australia and it would be difficult to arrange these meetings," the spokesman said that Mr. Fraser and Mr. Peacock had a number of official visitors scheduled for September and that Parliament was in session.

## Britain Agrees to Accept Full Airbus Partnership

From Wire Dispatches

LONDON, Aug. 31 — Britain announced today a decision to become a full partner in the wide-bodied European 310 Airbus and gave its approval for British Airways to buy 19 U.S.-made Boeing 757s, to be powered by Rolls-Royce engines.

British Industry Secretary Eric Varley announced that the government backs the plan by British Aerospace, effective next Jan. 1, to take a 20 percent stake in the Airbus. He also said that Britain has given state-owned Rolls-Royce Ltd. approval to launch its RB211-535 engine for use in the Boeing 757.

Mr. Varley said that British Airways plans to buy 19 of the 757s at a cost of £400 million (\$800 million).

Mr. Varley said the decision to allow Rolls-Royce to develop the RB211-535 should represent 5,000 jobs at the aero-engine company's plants in the next few years.

He added that the state-owned British Airways had proposed to order 19 of the narrow-bodied 757s, and that British Trade Secretary Edmund Dell had approved this purchase.

The main partners in Europe's Airbus Industrie, France and West Germany, gave the British an announcement a mixed reception. In Paris, French Transport Minister

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## In Kidnap Attempt Near Mexico City

## Son of Mexican Envoy to U.S. Is Slain

MEXICO CITY, Aug. 31 (AP) — The 35-year-old son of Mexico's ambassador to the United States was found dead yesterday after being kidnapped by guerrillas who reportedly demanded \$2 million "for the struggle of the proletariat."

A police source said that an autopsy showed that Hugo Margain was shot once in the leg and bled to death. Police sources said that the body was found in a field yesterday morning about 12 hours after the shooting.

Mr. Margain, director of the Institute of Philosophy at the University of Mexico, reportedly was riding in his car with an American friend, Justin Evans. Bodyguards were following in another car.



Cosmonauts Bykovsky, Kovalenok, Jaelin and Ivanchenkov talk to ground controllers. United Press International

## Salyut-6 Cosmonauts Busy Testing and Tasting

MOSCOW, Aug. 31 (UPI) — The four cosmonauts aboard the Salyut-6 Soviet space laboratory tested each other's sense of taste and time today to study the effect of space life on human perceptions, Tass reported.

The four also photographed the earth with a special six-lensed camera designed by the Carl Zeiss Jena factory in East Germany.

## Screening Necessary

Mr. Adamson said that the screening is necessary to insure that the Cubans involved are "not spies, terrorists, . . . common criminals."

"There's a lot we need to know about these prisoners," he said.

He said that the Justice Department has only the immigration applications filled out by the individual prisoners and must "corroborate" the information. Any who want to be admitted, he said, must meet all guidelines of the Immigration and Nationality Act. Asked to describe the prisoners involved, Mr. Adamson said: "I really don't know whether they're well known or not. They're political prisoners as characterized as such by the Cuban government itself. When we speak of political prisoners, we have reference to anybody incarcerated or who has been incarcerated because of an act, expression or attitude of an essentially political nature against the Castro government and or the communist system in Cuba."

## U.S. Has Edge

## Numerically in Nuclear Race

LONDON, Aug. 31 (UPI) — The United States has an edge of more than 2-to-1 in the number of warheads it could launch against the Soviet Union in a nuclear conflict, according to the International Institute for Strategic Studies.

But it is said that Soviet warheads are more powerful.

The institute is an independent center for information and research on problems of security, defense and control. In its annual "military balance" survey, the institute said that the United States could launch more than 11,000 warheads — almost twice as many as a decade ago — compared with 4,500 that the Russians could launch.

But the Soviet total, it said, will rise to more than 7,500 in the early 1980s and its individual warheads have significantly higher yields than U.S. ones.

On the ground in Europe, the institute said, the Russians have a huge and increasing edge in numbers of troops, tanks and guns. It said previous NATO superiority in quality of weapons is being eroded.

In Bonn, West Germany welcomed the British move, saying that it boded a solution to French objections could be found.

Mr. Varley said: "If the agreement is accepted by those governments, British Aerospace would take a 20 percent share in Airbus Industrie and would play a full part in the development and manufacture of the 310 derivative of the 300 Airbus."

The main stumbling block to British Aerospace becoming a full partner in Airbus Industrie has been French demands that British Airways buy Airbus Industrie planes.

Mr. Varley said that British Airways' immediate needs can be met by acquiring narrow-bodied aircraft of medium size and range. The Boeing 757 is such a plane, he said.

But British Airways considered the basis of existing companies against Vietnam by Peking.

## Low-Flying, Ground-Launched

## Limitless Cruise Missile Studied by U.S. Air Force

By George C. Wilson

WASHINGTON, Aug. 31 (WP) — The Air Force is studying a nuclear-powered Cruise missile that could fly low enough to escape radar detection all the way from the United States to the Soviet Union.

Such a missile would be a significant advancement over the short-ranged Cruise missiles that President Carter has decided to build for the 1980s over Soviet objectives.

Although this advanced missile, the Intercontinental Cruise Missile, or ICCM, is only an idea, the interest of the Air Force gives a glimpse of what could become a new weight on the superpowers' arms balance.

A cruise missile is like a small plane without a pilot. It flies an H-bomb to the target by "feeling" its way along radar beams that compare features on the ground with a computer map.

The Pentagon already is developing two different Cruise missiles, the "Alchem" for air launched cruise missile and the "Slicken" for the sea-launched missile.

## Vietnam Breaks Silence, Denies Taking China Hill

By Jay Mathews

HONG KONG, Aug. 31 (WP) — Vietnam today called a report that it had occupied a hill in Chinese territory "sheer fabrication," thus ending its five-day silence on the most serious charge so far in the feud between the two former socialist allies.

The statement denied that Vietnamese forces had occupied China's Bong Ridge and dug trenches and erected barbed wire around the ridge on Chinese territory.

This distortion is aimed at covering up a series of criminal actions against Vietnam by Peking.

The official Vietnam news agency issued a statement rejecting reports by Peking that Vietnamese troops had occupied China's Bong Ridge and dug trenches and erected barbed wire around the ridge on Chinese territory.

The statement denied that Vietnamese forces had occupied the hill, but it seemed to leave open the possibility that they had been to Chinese territory at least temporarily.

Inexplicable Delay

Analysis here were unable to explain the delay in the response from Hanoi, which has been quick in the past to answer Chinese charges during their escalating propaganda war. The Chinese have not referred specifically to the occupation since Monday, when the Chinese news agency released a detailed description of the alleged entrenched Vietnamese position on the hill. It is not known what the present situation is at the tense border area known as the Friendship Pass.

Peking failed to mention the Bonn occupation in its account of the diplomatic protest to Hanoi yesterday over an alleged Aug. 12 violation of the border by Vietnamese border patrolmen. Some analysts suggested that the failure to mention the more recent and more serious occupation, coupled with Vietnam's response, indicated that the Vietnamese were not now occupying the hill and that a dangerous clash between Chinese and Vietnamese

was avoided.

It is believed that Mr. Margain was killed in the shootout. Mr. Evans was wounded, but not seriously.

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## Red Cross workers have counted

more than 100 civilians wounded. Many more are thought to be wounded but reportedly are afraid to come into the Red Cross center because the national guard troops might find them there.

At the Montserrat private clinic all 18 beds were occupied by the wounded and more lay on the floor. At another private clinic there were more than 20 wounded.

Red Cross officials said that many of the wounded were women and children hit by rockets fired from two Nicaraguan Air Force planes that flew low over the city for several hours Tuesday afternoon.

A government spokesman in Managua said that the planes were strafing snipers. But Red Cross officials and ambulance workers said that most of the victims of the rocket attacks were refugees trying to get away from the firing.

The two air force planes flew over the city again yesterday morning, sending machine-gun fire onto parts of the city.

Hundreds of people fled from Matagalpa carrying clothes, television sets and radios on their heads.

Many streets were barricaded

and backs. More than 300 arrived at the main Red Cross depot in one wave yesterday morning. They were fed and asked to leave again to make way for new refugees arriving with hungry children.

The strongest attack by the national guard was an assault on the Hotel Souza, a small family hotel.

Guardsmen closing in on a guerrilla post tried to take refuge in the hotel, but the doors and windows were barricaded. The guardsmen broke down the doors and wooden shutters and entered with automatic weapons firing.

Four unarmed civilians in the front of the hotel were killed.

The attack on the hotel took place during a truce arranged by the Red Cross and the archbishop in the early afternoon.

It was one of many national guard violations of the truce witnessed by Red Cross workers, church officials and reporters.

Very quickly after the truce had been announced, it became obvious that the national guard was taking advantage of the cease-fire to advance into areas held by the young guerrillas.

At the corner, the car swung left

(Continued on Page 2, Col. 4)

with concrete blocks, wooden beams and old drums. Broken glass was inches deep and there were nails to puncture the tires of national guard vehicles.

Peace Mission

An ambulance, with passengers waving Red Cross flags from open windows, cruised slowly through the streets with Sister Marta Frech Lopez, of the Order of the Missionaries of Charity, the leader of a peace delegation, telling of the truce through a loudspeaker on the roof.

As the car moved down Central Street, troops opened fire in another direction. The truce had been on for an hour. The car swung left and up the hill into one of the poorer, hilltop suburbs where the young guerrillas had their strongholds.

Behind the ambulance, troops fired up a hill, well to the side of the car. At the next corner, two young guerrillas, wearing jeans, battle-dress tops, boots and baseball caps, with masked faces, returned the fire, shooting at the troops behind us.

At the corner, the car swung left

(Continued on Page 2, Col. 4)

## 'Creeping Occupation'

## Dayan Cites Threat From Syrian Force

By William Claiborne

JERUSALEM, Aug. 31 (UPI) — Israeli Foreign Minister Moshe Dayan yesterday told his senior staff that "creeping occupation" by the Syrian Army in Lebanon could lead to the placement of Syrian missiles and Soviet advisers along Israel's border.

Mr. Dayan said that the urgency of the situation in Lebanon, where Israeli-supported Christian militia have been under attack by the Syrians, will be conveyed to the "highest levels" of the U.S. government when the Israeli delegation to the Camp David summit arrives in the United States on Sunday.

The warning by Mr. Dayan to his top advisers in a closed meeting yesterday was related to reporters by a Foreign Ministry spokesman in what appeared to be an intensification of Israel's efforts to focus attention on Lebanon without appearing to threaten military intervention. The same warning, government officials said, was given to U.S. Embassy Charge d'Affaires Samuel Hart in a meeting yesterday with Mr. Dayan, Prime Minister Menachem Begin and Defense Minister Ezer Weizman.

There was no mention of military intervention in Mr. Dayan's remarks to his staff, nor in a speech to the United Jewish Appeal in Jerusalem.

## Status Quo

In his speech, Mr. Dayan said, "we are trying by political means to do everything we can and everything the big powers can to achieve a cease-fire in Lebanon and the status quo. Let's hope that will work out, and let's not discuss a military move," Mr. Dayan said.

Warning of creeping occupation in Lebanon, Mr. Dayan was said to have warned his staff that Syrians could first be expected to seize control of Beirut by cutting the supply of Phalangists and National Liberal Party militias in the hills to the north.

Then they could move part of their army to the central region of Lebanon, possibly moving in surface-to-surface missiles and Soviet advisers.

A dispatch from Washington in the Jerusalem Post quoted "well-placed U.S. sources" as saying that each of the three U.S. allies greeted the approach with "a certain receptiveness."

Carter administration officials had discussed the possibility of an international force with UN Secretary-General Kurt Waldheim, the Post said, and Mr. Carter might raise the concept at the Camp David summit next week.

The U.S. idea, according to the Post report, would make an international force part of arrangements to guarantee Israel's security in a general Middle East peace settlement.



Moshe Dayan

Canada, Australia, New Zealand

## 3 U.S. Allies Reportedly Sounded on Mideast Unit

TEL AVIV, Aug. 31 (UPI) — The United States has approached Canada, Australia and New Zealand about the possibility of establishing an international peacekeeping force on the occupied West Bank of the Jordan and in the Gaza Strip, an Israeli report said today.

A dispatch from Washington in the Jerusalem Post quoted "well-placed U.S. sources" as saying that each of the three U.S. allies greeted the approach with "a certain receptiveness."

Carter administration officials had discussed the possibility of an international force with UN Secretary-General Kurt Waldheim, the Post said, and Mr. Carter might raise the concept at the Camp David summit next week.

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Sadam Might Agree

The force would not necessarily replace an Israeli military presence on the West Bank or in Gaza during a minimum five-year interim period, but the Post said that the United States intended withdrawal of Israeli troops from populated areas to six or eight strategically placed garrisons.

Citing its sources, the Post said there was no guarantee that Israel would accept such a plan, but Egyptian President Anwar Sadat could be expected to agree to it.

The Post report appeared after several reports saying that Mr. Carter was considering stationing

## National Guardsmen Ignore Truce

## 17 Killed, 100 Hurt in Fighting in Nicaraguan Town

By Leonard Greenwood

MATAGALPA, Nicaragua, Aug. 31 — At least 17 civilians were killed and nearly 100 wounded here in 30 hours as the Nicaraguan National Guard moved in with air strikes and automatic weapons Tuesday and yesterday to suppress a rebellion of



In Probe of Phantom Work

## 50 Indictments Expected In U.S. Agency Kickbacks

By Ronald Kessler

WASHINGTON, Aug. 31 (WP) — U.S. grand juries are expected in the next several months to indict 50 General Services Administration employees, contractors and suppliers on charges of bribery and fraud, GSA Administrator Jay Solomon said yesterday.

The grand juries, under direction of U.S. prosecutors in Washington and in Baltimore, have been told that some GSA employees were bribed by companies that repair federal buildings and provide office supplies for U.S. agencies, according to sources close to the investigation.

In return for the alleged bribes, the companies were paid by GSA for repair work that was never done and supplies that were never delivered, according to the sources.

"We expect 50 indictments in the next few months," Mr. Solomon said at a press conference to discuss the latest developments in the broadening scandal that has enveloped the \$5-billion-a-year U.S. agency.

Vincent Alto, a former Justice

### Carter Demands Trimmed Raises For the Military

WASHINGTON, Aug. 31 (UPI) — President Carter announced today that he wants to make an example of the country's 2.1 million military personnel by holding their pay raises to 5.5 percent — nearly 3 percent less than recommended.

The pay proposal also covers 1.4 million civilian employees of the government. Stressing his fight against inflation, Mr. Carter said that he was rejecting the recommendation of a federal advisory committee for an increase of 8.4 percent that would have brought government employees more in line with those in private industry.

In a message to Congress, Mr. Carter said that he is submitting the 5.5 percent raise to "allow the federal government to set an example for labor and industry and lead the fight against inflation by example and not just words alone."

The Federal Pay Comparability Act requires that Mr. Carter adjust, effective on Oct. 1 each year, the salary rates of federal employees. He has urged unions and private employers to try to hold wage increases down to 5.5 percent.

### Governor Takes Lead in Close Alaska Primary

JUNEAU, Alaska, Aug. 31 (AP) — Late returns from Alaska's eight-day-old primary election have moved Republican Gov. Jay Hammond from a 900-vote deficit into a 36-vote lead over former Gov. Walter Hickel, who also served as interior secretary in the Cahill Cabinet of Richard M. Nixon.

Mr. Hammond moved to the front last night following the tabulation of about 6,700 absentee and questioned ballots, but the winner may not be known until mid-September.

In Alaska, ballots of voters who go to polls in the wrong precinct are set aside for counting during the week after the election. The questioned votes are not allowed to be counted in state legislative races, but they are tabulated in statewide contests.

Officials said that there still may be a few scattered absentee ballots in the mail and that a formal review of returns by state canvassing boards probably will result in a change of several hundred votes between candidates.

### Harris Pair Pleads Guilty To Kidnapping of Hearst

OAKLAND, Calif., Aug. 31 (AP) — William and Emily Harris, members of the terrorist Symbionese Liberation Army, today pleaded guilty to a charge of simple kidnapping in the abduction of Patricia Hearst 4½ years ago.

Alameda County Superior Court Judge Stanley Goldie accepted the plea and set sentencing for Oct. 3. The original charge of kidnapping with bodily harm, which would have eliminated the possibility of parole upon conviction, was dismissed after the substitute plea was accepted.

Judge Goldie said that the Harris would be sentenced under the indeterminate sentence law that was in effect at the time of the kidnapping Feb. 4, 1974, which permits parole.

The Harrises, smiling broadly, entered the courtroom to an outburst of applause from some spectators.

They each read brief statements declaring their pride in kidnapping Miss Hearst and taking "full responsibility" for their actions.

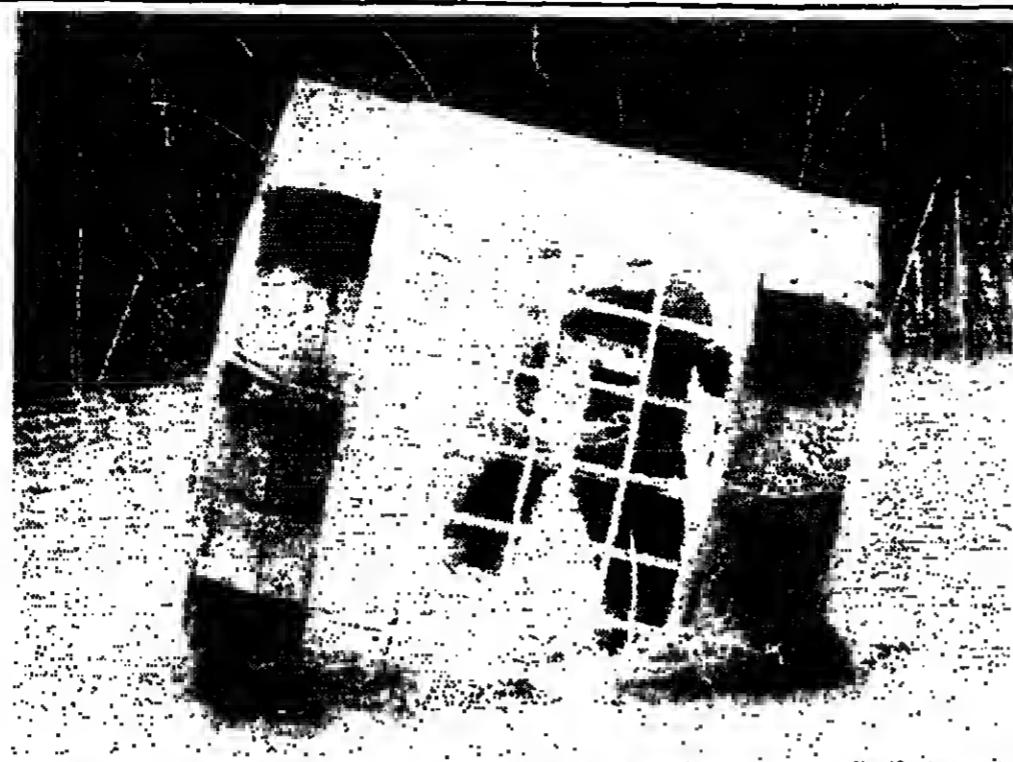
Harris, sitting on the counsel table and facing the spectators, said that his feelings were "complex . . . but there is relief that the uncertainty of the past few years is over." He said that eight members of the terrorist group planned and carried out the kidnapping.

Miss Hearst, now 24, is serving time in prison on a bank robbery conviction. She has identified William Harris as one of three persons who burst into her Berkeley apartment, viciously beat her boyfriend and kidnapped her at gunpoint. She also identified Mrs. Harris as having been in the getaway car that night.

The Harrises already are serving sentences of 11 years to life after a 1976 conviction on kidnapping, robbery and auto theft charges stemming from a hung jury shoplifting attempt in Los Angeles on May 16, 1974. Tass reported.

The measure, which takes effect in January, contains major breaks for income taxpayers, home sellers, the elderly, welfare recipients and the disabled.

The tax slash was possible because of the state's rapidly growing surplus, expected to approach \$2.5 billion by the end of this fiscal year, even after appropriating \$4.1 billion to local governments affected by the property-tax cuts that were mandated by Proposition 13.



WATER-WALKING PRACTICE — Bill Tabor, 44, who hopes to become the second man to "walk" across the English Channel, practices with his Sidewinder invention on a Dallas lake. U.S. Army Sgt. Walter Robinson "walked" the channel Aug. 25 on a raftlike contraption.

### Divisive Issue on California Ballot

## Bar on Gay Teachers Assailed

By Wallace Turner

SAN FRANCISCO, Aug. 31 (NYT) — Battling lines have begun to form over the hottest issue on the California general-election ballot, an initiative that would require school boards to dismiss teachers who are open homosexuals.

"We're trying to raise \$1 million for our campaign," said Jerry Berg, an attorney and board member of "No on 6 Committee," from the

### Kennedy Tops Carter, Brown In Poll of California Democrats

SACRAMENTO, Aug. 31 — California's Democratic voters overwhelmingly prefer Sen. Edward Kennedy, D-Mass., over either President Carter or Gov. Edmund Brown Jr. as their party's 1980 presidential nominee, according to a Los Angeles Times poll. Mr. Carter continues to run ahead of Gov. Brown in a mock matchup.

Of 1,528 persons interviewed in the poll, 527 were Democrats. Of the 527, 48 percent favored Sen. Kennedy, 25 percent favored Mr. Carter and 17 percent favored Gov. Brown; 2 percent favored none of the three and 8 percent were undecided.

That contrasted to the actual voting of 1976, when Gov. Brown defeated Mr. Carter 3-1 in the California presidential primary. The California governor beat Mr. Carter, then a front-runner, in all of the five primaries they both entered that spring.

Since then Gov. Brown has played down his presidential aspirations. But many believe that, if the 40-year-old governor is re-elected to a second term in November, he will run against Mr. Carter again in 1980 if the president's popularity appears to be weak.

*Los Angeles Times*

### Carter, Congress Battle Likely on Water Projects

By Ward Sinclair

WASHINGTON, Aug. 31 (WP) — In a series of little-noticed votes in the weeks before its recess, Congress moved systematically to shred the new national water projects policy that President Carter sent it with great fanfare earlier this year.

The congressional policy was expressed in a variety of actions:

- House and Senate conferees, record-keeping facilities, cars and the like. It is the government's landlord, real-estate broker, purchasing agent, office manager and architect, an agency that employs 34,000.

Mr. Solomon said that he will hire 50 inspectors to review repair and maintenance work on a spot-check basis, as well as additional internal auditors and investigators.

He said he is also establishing a separate office of complaints to handle criticisms from the General Accounting Office, Congress, contractors, GSA employees and the public.

Instead of tightening the rules for water project cost-benefit studies, as the president sought, the hills would loosen those rules.

- The bills would kill funding for the agency that Mr. Carter wanted to have oversee his new policy, while directing him to hire 2,300 more federal employees to oversee traditional projects.

- Separate authorization bills for new projects starts challenge the president further, moving in a direction opposite that proposed by Mr. Carter in his policy statement.

- The House and Senate bills increase, rather than decrease, the federal share on dredging projects, waive negative benefit-cost ratios in some cases, and authorize projects not yet studied by the Army Corps of Engineers.

- A series of resolutions and

Nevada Plane Crash Kills 9 Australians

LAS VEGAS, Aug. 31 (AP) — Nine Australians ending a month-long tour of the United States with a visit to casinos here were killed yesterday, when their plane crashed in a field shortly after it took off.

The 10-passenger twin-engine Piper Navajo Chieftain, flown by Las Vegas Airlines, was the last of three planes that had taken off on a flight to Santa Ana, Calif., with members of the Australian group, an airline spokesman said.

He has made the new water policy a centerpiece of his domestic legislation," said Brent Blackwelder of the Environmental Policy Center. "Carter will be regarded as the world's biggest pushover if he doesn't veto these bills."

The Harrises already are serving sentences of 11 years to life after a 1976 conviction on kidnapping, robbery and auto theft charges stemming from a hung jury shoplifting attempt in Los Angeles on May 16, 1974. Tass reported.

Ital Account Surplus Up

ROME, Aug. 31 (Reuters) — Italy had a provisional current-account surplus in May of \$44 billion (about \$400 million) after a surplus in April of \$18 billion and compared with a deficit in May last year of \$8.7 billion, the Bank of Italy said today.

The measure, which takes effect in January, contains major breaks for income taxpayers, home sellers, the elderly, welfare recipients and the disabled.

The tax slash was possible because of the state's rapidly growing

surplus, expected to approach \$2.5 billion by the end of this fiscal year, even after appropriating \$4.1 billion to local governments affected by the property-tax cuts that were mandated by Proposition 13.

### Study Finds Old Teachers Obstacles

## Money Cure Fails U.S. Schools

By Robert Lindsey

LOS ANGELES, Aug. 31 (NYT)

A Rand Corp. study has concluded that a 12-year, multimillion-dollar U.S. program to improve education is a failure and blamed simplistic assumptions that more money and new technology alone could make a difference.

"Neither more money, more information, nor more technical assistance by themselves have consistently improved educational practices," the nonprofit research organization said.

Its findings were contained in the final report of a four-year study of the impact of the Elementary and Secondary Education Act of 1965, which at its inception was hailed as the impetus for a "decade of reform" that would help eliminate illiteracy and improve educational opportunities for minority and poor children. More than \$10 billion has been spent on the effort.

Rand said that the concept of sending large amounts of U.S. aid to local school districts to finance innovative teaching programs sprang from "deep strains of optimism and rationalism in American culture" and attitudes that technology could solve any problem, as exemplified by the nation's campaign to put a man on the moon in the 1960s.

**Little Innovation**

The report said there had been a few successful innovations, but after evaluating hundreds of such programs instituted by local districts, the researchers said:

"Our findings cast serious doubt on the efficacy of providing seed money to promote educational reform. It does stimulate school districts to adopt innovations. But it assures neither successful implementation nor long-run continuation."

"The net return to the federal investment was the adoption of many innovations, the successful implementation of few and the long-run continuation of still fewer."

Although the availability of U.S. aid started a rush for funds by local schools, few applied much planning or the necessary local commitment to assure success, the report said.

If U.S. educational aid programs aimed at improving the quality of

teaching

intelligence," to delay publication while a judge reviewed CIA deletions.

But a proposed injunction against Mr. Agee's publisher, is complicated, officials acknowledge, because Lyle Stuart never signed a secrecy agreement to protect CIA material. Thus, the government would have to meet the difficult standard of proving irreparable harm, which the U.S. Supreme Court set in the celebrated case involving the *New York Times* and the *Pentagon Papers*.

**Publisher Charged Considered**

A possible espionage charge against the publisher, perhaps for receiving classified information, also is being considered, an official said. But that would be an unprecedented attack on the press and again would raise problems of possible disclosure of secrets at the trial.

Justice Department officials have been reluctant to discuss the specifics of the Agee case, although some have confirmed that the CIA claims that the book will reveal the identities of many undercover agents.

Such unauthorized disclosure of names could be prosecuted because the identities are classified, officials said.

**Laws Questioned**

The initiative sets up requirements for boards to conduct hearings when violations of the rules are charged. If a teacher is dismissed, hearings, written findings and judicial-review rights are set out.

The opposition campaign has been slowly building. Some opponents who are homosexuals and are educators have expressed concern that just by being identified as donors of funds in the campaign against the initiative they may open themselves to being later attacked under its provisions, if it becomes law.

Gov. Edmund Brown Jr. said he would oppose the initiative. "I think it's unconstitutional," he said. "I think the courts will throw it out, either before or after the election. It's overkill. It would lead to witch-hunts."

Attorney General Evelle Younger, the Republican nominee for governor, has taken a neutral position.

**CIA Officials**

CIA officials were upset by what they believed was the failure of espionage laws to punish such disclosures. But a knowledgeable source said that an espionage charge against Mr. Agee could be counterproductive because a trial would give him a platform to disclose still more CIA secrets.

Civil action — such as the breach-of-contract suit won by the department against Frank Snapp, another former CIA agent who wrote a book — is complicated because Mr. Agee lives abroad and cannot be reached by regular court proceedings.

The Justice Department earlier moved successfully against Victor Marchetti, co-author with John Marks of "The CIA and the Cult of

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## Treading Water on Vietnam

Who would have imagined that, barely three years after the U.S. collapse in Vietnam, the victorious communist regime would be pleading for political and economic ties with the United States?

It's plain enough how this turnabout has taken place. Vietnam, having moved swiftly (and rashly) from war with neighboring Cambodia to dangerous friction with Cambodia's powerful patrons in Peking, finds Soviet support ardent but inadequate and hopes that the United States can plug the gap. In addition, the Vietnamese need the sort of large-scale cooperation in reconstruction and development that the United States can best provide.

So it is that Hanoi has dropped its demand that Washington pay "reparations" as a condition of political relations. To a recent congressional delegation searching for (and receiving) the remains of additional U.S. servicemen, it expressed its urgent desire to restore — better, to create — normal ties.

Many in the United States see good reason to respond in kind: some to make amends for past U.S. policy; others to cultivate the "Titos," or national communists, of the world; still others to make a buck. Some people in the United States may even feel Vietnam should be unleashed on the murderous regime in Cambodia.

Yet the Carter administration, which came to office promising early reconciliation with Vietnam, is holding back, for considerations variously understandable and substantive. The understandable consideration is that early normalization with a country with which the United States so recently warred would provoke political resentment — without due diplomatic compensation. The substantive

consideration is that it would complicate U.S. relations with China.

Let us expand on that point. China's opening to Washington, initiated by Mao Tse-tung in 1972, came under review in the struggle over his succession. But during the summer the Chinese apparently decided to press the opening with a vengeance to counter pressures from Moscow. The basic explanation no doubt lies in the arcane mysteries of Chinese politics. Alert U.S. diplomacy, represented by Zbigniew Brzezinski in his trip to Peking last May, may also have played a role.

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Certainly China needed to urge to rally other nations to stand up to the Kremlin. This summer, however, China has consummated its relations with Japan with a peace treaty. Party Chairman Hua Kuo-feng has demonstratively circled the Soviet frontier, visiting the independent-minded states of Yugoslavia, Romania and Iran. And Peking moved to expand its scientific, educational and commercial links with the United States — and its military-supply links with the U.S. European allies. Moreover, it has done this without, so far as we know, extracting from the administration diplomatically excessive and politically dangerous concessions on Taiwan.

It is evident that the United States must manage its relations with Peking with care, especially so as not to provoke the Russians unduly, whose cooperation is essential to keeping the peace. We do not happen to think the administration has gone too far with China. What is beyond cavil, though, is that the United States has no interests in Hanoi even faintly of an order with those it has in Peking. That alone is reason to tread water on Vietnam, while the larger question of China is worked out.

THE WASHINGTON POST.

## Energy — Breeder Problems

The President has cut his vacation short: small wonder. Next week may be the most important of his administration and he'll need all the head start he can get. Next Tuesday comes the Mideast summit meeting, a major test of his grip on foreign affairs. Then, perhaps by Thursday, will come a major domestic test: Senate action on the administration's energy program. Whatever the President's state of preparation for Camp David, on energy he has not a moment to lose.

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Only three months ago, Energy Secretary Schlesinger jubilantly proclaimed "the end of the Thirty Years' War." In an excruciatingly delicate compromise, House and Senate conferees had agreed to deregulate the price of natural gas. His jubilation was understandable. Deregulation, the subject of heated Congressional debate since 1949, is a crucial component of the administration's energy policy. That policy is, in turn, central to the entire Carter program. But now, shooting broken again and the whole fragile compromise may shatter.

The new skirmishing involves breeder reactors. These commonly use — and create — plutonium which, in the wrong hands, can easily be turned into fearsome weapons. The administration has won wide credit for fervently opposing hasty development of breeder reactors. So imagine the consternation caused last week by Republican Sen. McClure of Idaho. The administration, he said, had agreed to pump up spending for breeder research in his state in exchange for his support of gas deregulation. To such foes of plutonium proliferation as Democrat Dale Bumpers and Republican Mark

Hatfield, that looked like an outrageously high price for a vote. They promptly threatened to withdraw their support for gas deregulation.

There is no necessary inconsistency in the administration's position. It rightly opposes rushing to build a breeder intended to demonstrate the commercial feasibility of such reactors. It has never opposed long-term research. Indeed, it would be foolish to do so; breeders may by the year 2000 look like important energy sources. Presumably, that is all the administration had in mind when it agreed to increase research funds from \$1.2 to \$1.5 billion. While increasing spending in exchange for a vote might constitute crass politics-as-usual, that is exactly what some critics think this administration needs more of.

But is that in fact all the administration has in mind? Days have passed but it still has offered no assurance that it remains opposed to plutonium proliferation. For the moment, Sens. Hatfield and Bumpers are left to wonder about a seeming surrender of nuclear principle. And others are left to speculate coarsely about the administration's eagerness to trade favors for votes on energy.

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The Carter forces cannot afford many such favors; they surely cannot afford to lose a single vote for the gas compromise. They need to reassure senators opposed to the breeder and get on to the main event: the full Senate vote on the gas compromise. How adroitly — and quickly — they do so will tell much about the future of oil of energy but of the Carter administration.

THE NEW YORK TIMES.

## Other U.S. Opinion

### Iceland Outlook

The fact that the Communists in Iceland have joined with two other political parties to form a coalition government for that island is fraught with peril for the NATO alliance.

Iceland is strategically located insofar as rivalry between NATO and the Warsaw Pact is concerned. It serves as an outpost from which NATO forces can keep tabs on Soviet naval and air traffic. And for that purpose the United States has for years maintained there the Keflavik Air Base.

As long as the air base has been there the Communists have rallied against it, promising to eliminate it and the U.S. presence in Iceland whenever they came to power.

Inasmuch as the Communists are participating in a coalition government they are

not actually come to power in the full meaning of the expression. And Communist leaders acknowledge that a condition for their entrance into the coalition government is that they drop their demand for the withdrawal of the air base.

Thus there is no immediate danger.

But the presence of the Communists within the government carries with it the potential for danger. And it is not unreasonable to think that with a foot in the door the Communists might well use their governing authority to achieve total power in due course.

This change in Iceland's government must be viewed with foreboding by the advocates of freedom.

— From the Atlanta (Ga.) Journal and The Atlanta Constitution.

## In the International Edition

### Seventy-Five Years Ago

September 1, 1903

PHILADELPHIA — Under a blue, sunny sky — what is usually called in Britain "queen's weather" — King Edward of England began his first visit to this imperial capital since his accession to the throne of England. The king was met by Emperor Franz Josef, who extended the invitation, as well as members of the emperor's family and entourage. Although the majority of fashionable Viennese society was in the country, the streets of the city were crowded with well-wishers and gay with hunting.

### Fifty Years Ago

September 1, 1928

PHILADELPHIA — New evidence pointing to an amount of graft paid by bootleggers to Philadelphia police officials which "will make the city gasp" was found here this week. District Attorney Monaghan disclosed today. The evidence was unearthed among documents seized in the Bunker's Trust Building offices of Max Hoff, who is described as the "Kingpin of the city's bootleggers" by the district attorney. Mr. Monaghan also stated that some of the sums involved were of a scale "almost unheard of."



## Defense Veto: Can Carter Make It Stick?

By Tom Wicker

NEW YORK — The most important date now before President Carter may be next Thursday.

On that day, just two days after returning from its recess, the House of Representatives will attempt to override Carter's veto of a \$137 billion weapons procurement bill. It is not too much to say that this is a vote that the administration cannot afford to lose.

This, after all, was the president's first big, visible, controversial veto.

It comes at a time when his job performance rating has sunk almost out of sight. If Congress sustains the veto, his reputation for toughness and mastery of his job may be modestly improved; but if Congress overrides, it is likely to be a disaster for Carter.

### Direct Challenge

The president's function as commander-in-chief of the armed forces is one of his most important responsibilities, and is so perceived by Congress and the public. When the House put \$2 billion into the procurement bill for a nuclear-powered aircraft carrier that Carter had not asked for and did not want, it was challenging him directly.

That is why, more than in any Congressional vote since those in the Senate on the Panama Canal treaties, Carter cannot afford to lose. Both to Congress and with the public, an override in this case would be, perhaps permanently, the idea that Carter is a weak president unable to get a program through a Congress controlled by his own party — unable even to act as commander-in-chief without Congress forcing him to kneel.

Fortunately, the veto can be defended on its own terms, without reference to what it means to Carter's political position. In order to provide the \$2 billion for the nuclear carrier, without increasing the overall size of the procurement bill, the House had to take the following unwise steps:

- Cut \$800 million from \$1 billion that Carter had requested to strengthen U.S. ground forces, particularly those committed to NATO.

- Cut \$200 million from a request for more airlift, electronic warfare equipment and electronically guided ordnance.

- Eliminate half of Carter's proposed \$1 billion increase in immediate readiness funds for the military forces — weapons repair and ship overhauls, for instance.

- Reduce research and development funds, although the president had requested a 3 percent increase.

### Wants Refused

Thus, the House not only is giving Carter what he does not want; it is refusing to give him what he does want. The nuclear-powered carrier, moreover, could not be completed for many years while the requests Carter had made could be fulfilled right away. Building the carrier would effectively negate the president's declared policy of providing the Navy with more but less-expensive vessels; it is pledged, for example, to request a conventional-powered carrier, at a cost of only \$1 billion, in next year's budget.

Secretary of Defense Brown defended the veto. The U.S. now has the strongest Navy, Brown said, but "I think we can continue to do so only if we reverse the trend toward smaller and smaller numbers of larger and larger, more-expensive ships."

Besides, he added, the nuclear carrier could only be provided at the expense of other things more urgently needed for our defense.

### Sustain Campaign

But it is not merely for reasons of sound defense policy that the Carter administration is mounting a no-holds-barred campaign in sustain the president's veto. Vice President Mondale and Brown will take leading parts in this effort, as will Carter himself. Already, one gathering of about 150 business and civic leaders has been convened in the East Room of the White House to be briefed on the issue, much as such groups were converted into administration advocates on the Panama Canal treaties.

There will be many more such meetings, not least because if Congress can override the president on

such a clear issue, in an area of his most specific responsibility, it can hardly be expected in the fall session to pay much attention to his tax reduction, natural gas regulation and civil service reform. Beyond that, Carter's vaunted determination to toughen up his administration and his own performance would be made to look more like products of Gerry Rafshoon's imagination than the real thing.

White House officials say that as many as 30 more "significant" vetoes may be forthcoming if Congress acts to overturn Carter's budget goals.

Budget Director James McIntyre is said to be arguing, for example, that the highway-mass transit bill would exceed budget plans by \$20 billion over eight years. But vetoes of bills providing such largesse for members' constituencies would be even harder to sustain if the weapons procurement vein is overridden.

And it might be. A nuclear-powered carrier is a nice symbol of national strength and international toughness, both of which politicians like to extol. That it would be more of a symbol than a fact makes little difference in an election year, which is one big reason why the carrier was approved in the first place.

## Mullahs Make Case for Shah

By Joseph Kraft

WASHINGTON — Events

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Members of the Kenyatta family — Mama Ngina, the last wife of the late president, his brother James Mugai, center, and the

president's son Uhuru Kenyatta, right — leave State House in Nairobi for the national funeral between honor-guard cordons.

Associated Press

### Prince Charles Snubs Marshal Amin

## Kenyatta Buried With Worldwide Honors

NAIROBI, Aug. 31 (UPI) — President Jomo Kenyatta, who led his nation to independence from Britain 15 years ago, was buried today in a marble-walled tomb on the grounds of Kenya's Parliament building. His body was borne to the cemetery on the gun carriage used for Winston Churchill's funeral in 1965.

### Obituaries

## President John Wrathall, Rhodesia Trade Strategist

SALISBURY, Rhodesia, Aug. 31 (UPI) — President John J. Wrathall, 65, a British-born accountant who helped plan Rhodesia's strategy against United Nations trade sanctions and later became the country's ceremonial chief of state, died this morning of natural causes.

The government ordered that all flags be flown at half staff.

As finance minister in Prime Minister Ian Smith's Cabinet before and after Mr. Smith's unilateral declaration of independence from Britain, Mr. Wrathall was instrumental in keeping the country's economy afloat by devising ways to circumvent UN trade sanctions against Rhodesia.

He was appointed president of Rhodesia on Dec. 10, 1975, succeeding Clifford Dupont who retired. Mr. Dupont died last month.

Mr. Wrathall was born Aug. 28, 1913, in Lancashire, England. He qualified as a chartered accountant in England in 1935 and immigrated to Rhodesia the next year.

### Tax Department

He spent his first 10 years in Rhodesia working in the income tax department. He later served as a city councillor in the city of Bulawayo, as vice chairman of the South Rhodesia National Free Library, as a trustee of the Child Fostering Association and was a member of the board of management of the Rhodesian Academy of Music.

Mr. Wrathall entered Parliament as a member of the United Rhodesia Party. He was reelected in 1962 as a member of Mr. Smith's Rhodesia Front Party.

The next year, Mr. Wrathall was appointed minister of education and health but relinquished those portfolios on being appointed minister of finance and of posts.

In 1965, after the United Nations imposed trade sanctions against Rhodesia, Mr. Wrathall emerged as a powerful influence in fighting them.

Mr. Wrathall became deputy prime minister in 1966 and was elected to the Senate — the upper tier of Parliament — in 1974.

Mr. Wrathall leaves a wife and two sons.

### Lee David

NEW YORK, Aug. 31 (AP) — Broadway composer and author Lee David, 84, died today of cancer at the Brooklyn Jewish Hospital.

Mr. David, born in New York City on Dec. 13, 1891, lived all his life in Brooklyn. He was educated at the City College of New York and Columbia University Teachers College.

He wrote the Broadway stage scores for "A Night in Venice" and "Broadway Nights," and composed songs for "Greenwich Village Follies," "Padlocks of 1927," "Cotton Club Revues" and "Ziegfeld Follies."

His chief collaborators included Billy Rose, Benny Davis, John Redwood, Keirn Brendan, Charles O'Flynn and Pete Wendling.

His songs included "Sipping Cider Thru A Straw," "Sorority Waltz," "Junior Miss" and "Just A Bit of Heaven to Your Smile."

### Shaul Avigur

TEL AVIV, Aug. 31 (UPI) — Shaul Avigur, 79, one of the leaders of the Haganah underground and a founder of the Israeli secret service, died Tuesday.

A native of Dvinsk in central Russia, he came to Palestine as a



John Wrathall

Art Academy, helped develop oil painting in Japan. In 1914 he was instrumental in founding the Nika Kai group, one of Japan's leading art societies.

In the 1930s, Mr. Tsuda joined the Japanese proletarian artists movement and was arrested in 1933 for supporting the Japanese Communist Party, an illegal organization at the time. He later quit the proletarian artists movement and concentrated on his art. Among his best-known works are "People and the New Diet Building" and "Storm and Stress."

### William O. Shuman

MIAMI, Aug. 31 (AP) — Pennsylvania state Rep. William O. Shuman, 57, of Greencastle died last night of an apparent heart attack while vacationing here.

Rep. Shuman was known for his fight to keep school spending to a minimum, and, as a member of the Greencastle-Antrim School Board, he opposed construction of an elementary school in the district. He was also an opponent of tax increases and government spending.

In the last several years, Mr. Church suffered from amyotrophic lateral sclerosis, also known as Lou Gehrig's disease.

A native of Boston, Mr. Church received a bachelor's degree from Berkeley and a master's degree from the Harvard School of Design.

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## Theater in Paris

## A Good Omen for the Season

By Thomas Quinn Curriess  
PARIS, Aug. 31 (IHT) — Marcel Achard's "Patate," returning in a fresh production to the Theater Saint-Georges, is the opening gun of the new season and it booms with laughter. It is a good omen that the first offering of the budding theatrical year is a hit.

The initial run of "Patate" lasted for seven seasons; it is probably the most popular French play since the World War II, its revival discloses that it has not aged a moment with the passing of a decade and hints that it occupies a permanent place in the repertory.

Achard had a sardonic humor — Courteline and Alphonse Allais were his favorite models and Molierie was his god. He wrote in a light, jesting vein. He had no urgent, earthquaking message to impart, leaving such business to colleagues who mistook the stage for a combination of soapbox and Western Union center. Instead, he dramatized some enduring truths with a wry smile, proving that it is possible to be serious without being depressingly dull.

This evergreen "Patate" of his, like most proficient comedies, is a tragedy averted. Its subject is as old as the world and as wide. It is stated as a joke, but its roots are deep in human nature. It is a brightly colored illustration of the fact that hate can be as binding as love and no less complex. The destinies of two men, quondam school-

mates, are grotesquely intertwined. They have loathed each other since their classroom and playground childhood. Now in their middle years their fierce hatred, born of instinct, has never abated.

## Good Fortune

The first, Carradine, has made a wealthy marriage by stealing his despised comrade's rich fiancée and his affairs have prospered. The second, Rolla, dubbed in boyhood by his "friend" with the unwelcome nickname Patate (potato), is a fumbling inventor, seething with impotent rage in his humble atelier over his foec's unfailing good fortune.

The loving care of his wife and adopted daughter cannot still his wrath. He is tormented with the obsession that his nemesis is responsible for all misfortunes that have befallen him.

Inquisitive spite has kept the two rivals close. The murderous anger which flashes like lightning when they meet is disguised as rough comradery. He tells it amusingly and absorbingly. He has employed the frame of the conventional play, but his characters are uncommon, touched up as a cartoonist exaggerates his subject's features. There is wit and wisdom in this comedy illuminated by with its author's ironic comprehension of human foibles.

François Guérin has directed its tempo so that it moves swiftly to maximum impact. Pierre Doris, the chansonnier, emerges as an actor of force and assurance in the

central role of the blustering underdog, Patate. Michel Auclair as his enemy serves as a perfect foil. Kelli Duman, a novice, is the independent, sharp-tongued teen-ager, a part that inaugurated the career of Sophie Daumier. Miss Duman makes a striking first impression.

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## BUSINESS

# INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

PARIS, FRIDAY, SEPTEMBER 1, 1978

## FINANCE

Export Sector Off 3.5%

### Japan Growth Slows To 1.1% in Quarter

TOKYO, Aug. 31 (AP-DJ) — Japan's real economic growth slowed sharply to a 1.1-percent pace in the April-June quarter from the prior quarter when the gross national product expanded 2.5 percent, the Economic Planning Agency announced today.

The slowdown was largely the result of a setback in the export sector of the economy, which has been hurt by the sharp appreciation of the yen, EPA officials said.

The disappointing performance in the April-June quarter, meanwhile, has prompted the government to formulate plans for additional public spending in an effort to reach Japan's 7-percent growth target for the fiscal year which ends next March.

On an annual basis, the real GNP growth in April-June slowed to 4.5 percent, down from a 10.4-

### SEC Enacts Payoff Law

WASHINGTON, Aug. 31 (WP) — The Securities and Exchange Commission announced yesterday its first major prosecution under the Foreign Corrupt Practices Act, charging that a large Chicago company bribed Indonesian officials to obtain an oil production contract.

The U.S. District Court for the Northern District of Illinois ordered the Kary Industries to set up a special committee of outside directors to look at the SEC's allegations and make recommendations to the board.

The Corrupt Practices Act was passed by Congress last December after widespread disclosures of foreign payoffs by many large U.S. corporations.

Within 30 days after the special committee reports to Kary's board of directors, the board "must consider and act upon all recommendations of the special committee or file a report with the commission with an explanation of the action taken and the reasons why any such recommendation, or part thereof, was not adopted."

### Cites Energy Bill, Inflation

### Lambsdorff Hits Washington on Dollar

TOKYO, Aug. 31 (AP-DJ) — West German economic minister Otto Lambsdorff called on President Carter today to push through an energy conservation program and curb inflation to avoid wrecking the international monetary system.

"The key to solving the dollar's problem is not in Tokyo or in Bonn but in Washington alone," Mr. Lambsdorff told reporters at the Tokyo Foreign Correspondents Club.

"It is up to the American administration to push through an energy conservation program and to finally overcome opposition to it in Congress. In the short term, it seems to me to be especially important for the American administration to take energetic steps against inflation, which at the rate of 8 percent... has now reached serious proportions," he said.

"Neither the German mark nor any other European currency, nor the yen, is in a position or has the ambition to take on the role of an international reserve currency in the place of the U.S. dollar. Only the dollar can play this role and it is not going to change," he said.

#### Obligations

"But the country which provides this reserve currency has taken on special international obligations and I think it must acknowledge these obligations and responsibilities." He added that "it will be up to us not only to remind the Americans of their special task, but also to try to help them with their task."

Mr. Lambsdorff added that he understood the political problems of President Carter. But, he said: "With an inflationary reserve currency you will destroy any monetary system."

Mr. Lambsdorff was in Tokyo for six days of talks with Japanese officials to follow up the Bonn summit. This is the last stop on an

Asian tour that included visits to India, Singapore and Indonesia.

He told reporters in a news conference that West Germany has met the commitments it made during the Bonn summit "to the full" with the economic stimulus package approved yesterday in Bonn.

That package, including tax cuts and increased government spending, will boost growth about 1 percent of gross national product, he said.

#### Improvement Seen

But he warned: "Expansionary forces are still not strong enough to ensure sustained growth and rule out the danger of a slowdown in (international) economic activity." In West Germany, he said "so far this year economic growth has clearly fallen short of the targets set in the federal government's annual economic report, but there are various factors suggesting that economic trends are likely to improve again in the next few months."

The minister predicted that West Germany's GNP growth for 1978 would be between 2.5 and 3 percent, and he was "slightly optimistic."

### Mexico Beset by Capital Shortage, Strikes Despite Huge Oil Reserve

MEXICO CITY, Aug. 31 (AP-DJ) — Despite Mexico's huge petroleum reserves, the setbacks that have ravaged the economy for years are still afflicting the nation.

The sharp increase in Mexico's petroleum-reserve estimates has restored its international credit rating. Its \$26-billion foreign debt seems certain to be whittled down. But despite the oil-based lift, the private investment needed to create jobs continues to lag and workers are raising wage demands and calling for more and longer strikes.

It is becoming clear, in the words of a U.S. State Department economist, that "the problems of Mexico won't be solved by oil, and its major problems may well be worsened by it." Indeed, adds a Commerce Department analyst in Washington, "there is a growing school of thought that oil could be very harmful to Mexico right now, it's providing an excuse — a crutch — not to solve the basic structural problems."

Clearly, however, Mexico has plenty of oil to sell. Probable petroleum reserves are estimated at 31 billion barrels and possible reserves at 120 billion barrels, while speculation puts the total at 160 billion barrels.

And amid the debate on spending the income, Pemex, the state-owned oil company, says exports this year should total about \$2 billion, double last year's, and should hit \$11.5 billion by 1985. Some

### FINANCIAL NEWS AND NOTES

#### Continental, Western Plan Merger

Western Airlines and Continental Airlines say they agreed in principle to merge by forming a new corporation by exchange of stock. One share of Western common would be exchanged for one share of the consolidated company. One share of Continental stock would be exchanged for 1.175 shares of the common stock of the new company. Western's preferred stock would be replaced by an identical issue of preferred stock of the new company. Meanwhile, National Airlines chairman L. B. Maytag said the National and Pan American World Airways are negotiating substantive terms of a merger of National with Pan Am of one of its units. If resolved, Pan Am would pay National \$41 a share. A National board meeting is set Sept. 5 to discuss the proposals.

#### Group Seeks Montedison Interest

A Saudi Arabian bank is acting as representative of still-unidentified Arab investors in their negotiations to purchase a 10-percent share of Montedison, sources say. The Italian counterpart in the discussions, which are reported to be in their final stages, is known to be Mediobanca, an Italian state-owned credit institute which is part of the syndicate that controls Montedison. Spokesmen for the giant chemical group refuse to confirm or deny reports of the proposed deal. However, sources from a group in the company syndicate said major shareholders were informed of the progressing negotiations. The deal calls for the Arabs to subscribe 35 billion lire (about \$42 million) of a proposed capital increase to 355 billion lire from 152 billion. The group would also subscribe 15 billion lire of a bond issue planned by Montedison, sources reported. After the initial deal, the Arab group would seek to buy an interest in

Fingest, the holding company of Montedison group.

#### BASF Sees Lower '78 Profits

BASF's 1978 profits will not reach 1977's 281 million Deutsche marks, according to Matthias Seefelder, manager of board chairman. He says that while he expects 1978 turnover to finish somewhat over 1977's 21.15 billion DM, rising costs will place pressure on profits. The company has continued to experience the pickup in business it noted in the second quarter, he says, and after the end of the holiday period, BASF expects to experience a continued rise in turnover. Although the overall outlook is not terribly bright, he was especially bullish about business potential in Brazil, expecting a yearly growth of 15-20 percent in Brazil over the next five years, spurred by planned investment of 700 million DM through the end of 1983.

#### Mitsubishi Heavy Ind. Cuts Payout

Mitsubishi Heavy Industries says that it will not pay an interim dividend for the 1978 fiscal year ending March 31 because of a sharp downturn in the business of its shipbuilding division. The company says this will be the first time that Mitsubishi has skipped payment of an interim dividend. It also is the first time this year that a major Japanese company in a key industry has decided not to make an interim payment for the April-September period. The company forecast a net profit of 10 billion yen (about \$33 million) for the 1978 fiscal year, down sharply from the 15 billion yen net registered in the previous year. The company has not yet decided the size of the dividend it will pay for the entire year, but said it likely "will be impossible" to maintain the existing 12 percent payment.

#### Chance for 'Expansion and Prosperity'

### Peugeot Sees U.K. Backing on Chrysler

PARIS, Aug. 31 (AP-DJ) — Pen-

geot-Citroen chief executive officer Jean-Paul Parayre said today he does not expect the British government to reject the takeover of Chrysler U.K. as part of the recent agreement under which the French group makes to acquire the activities of Chrysler Europe.

"We have no reason to believe that the British government won't see the chance offered to Chrysler U.K. by joining Europe's largest auto manufacturer," he said in response to a question during a news conference.

"I would like to say again to our English and Scottish friends, my firm belief that the integration of Peugeot-Citroen into a major European automobile group offers the company new opportunities for recovery and therefore of expansion

and prosperity for its employees and its dealer network," he said.

He expressed the hope that the British government will give its accord "as soon as possible."

Mr. Parayre also reassured British unions that his group does not intend to dismiss workers, saying that the expansion of his group will mean greater job security for all concerned in France, Britain and Spain.

He said he will personally go to Britain and meet union leaders as soon as the British government gives its approval.

#### Backs Lucas Stake

The Peugeot-Citroen chief also said he favors the acquisition by the British auto-components firm Lucas Industries of the 51-percent stake it does not already hold in the French components concern Ducleil.

He said "We favor a European auto industry; we are thus not opposed to a European auto-components industry."

He pointed out that the Lucas-Ducleil deal implies a British firm buying out a U.S. interest in a French firm. "This would be good for Europe," he affirmed. The British government is known to be waiting for the decision by the French authorities before it gives approval for the Chrysler takeover.

Mr. Parayre said Chrysler U.K. will enjoy his group's "total support" in its recovery. "We consider that this undertaking is worth more than all the formal guarantees which can be written, provided everyone works together to make the most of our opportunities," he said.

In reply to questions on who will reimburse British taxpayers money pumped into Chrysler U.K., he pointed out that part of the funds were granted to the company in 1976 and 1977 as subsidies to offset previous losses. "This took place prior to our accord with Chrysler Corp. and I don't think the British government expects to be reimbursed," he said.

He also noted that in previous agreements between the British government and Chrysler Corp., a representative of the British government is a member of the board of Chrysler U.K., and that the situation will not change after the takeover.

Peugeot-Citroen, which only makes light trucks, plans to expand the trucking activities of the Spanish and British subsidiaries, Mr. Parayre said, pointing out that Chrysler Spain accounts for 40 percent of the domestic market for medium and heavy trucks, and that Chrysler U.K. is also well-placed.

He gave fresh details of the accord announced on Aug. 10, pointing out that the takeover of Chrysler Europe does not involve the financial subsidiaries of Chrysler Corp. in Europe.

He said that the 1.8 million new shares to be issued to Chrysler correspond to the sale of the shares of Chrysler France and that the \$230 million payment in cash correspond to its activities and distribution networks in Spain and Britain. The \$230 million will be financed out of the cash reserves built up by Peugeot-Citroen, and not through shareholder contribution or borrowings, he said.

The 1.8 million shares issued to Chrysler, which will give it a 13.5 percent stake in the French company's capital stock, will enjoy dividend rights from Jan. 1, 1980, he said. The accord provides for a transitional period through Oct. 31, 1980, during which time Chrysler will be associated in the management and the results of Chrysler's European subsidiaries, he said.

He added that under the agreement, ownership of Chrysler Europe will be transferred to Peugeot-Citroen "no later than January 1, 1979," but Chrysler will retain all benefits deriving from 49 percent of the shares until Oct. 31, 1980.

A partnership will be set up for the purpose to which will be con-

tributed the right to all benefits derived from the shares of the three companies. The partnership will dissolve automatically on Nov. 1, 1980, after which Peugeot-Citroen will hold complete ownership, he said.

"The agreement between Chrysler and Peugeot-Citroen is firm and definite, subject only to approval by the various governments concerned," he added.

He said the takeover was necessary in order to give Peugeot-Citroen a big enough structure to compete worldwide.

"The rapid expansion of the Japanese automobile industry and the conversion of the American industry to models with worldwide appeal makes the European automobile industry by contrast look relatively dispersed and vulnerable," he said.

He said "We favor a European auto industry; we are thus not opposed to a European auto-components industry."

He pointed out that the Lucas-Ducleil deal implies a British firm buying out a U.S. interest in a French firm. "This would be good for Europe," he affirmed. The British government is known to be waiting for the decision by the French authorities before it gives approval for the Chrysler takeover.

Mr. Parayre said Chrysler U.K. will enjoy his group's "total support" in its recovery. "We consider that this undertaking is worth more than all the formal guarantees which can be written, provided everyone works together to make the most of our opportunities," he said.

In reply to questions on who will reimburse British taxpayers money pumped into Chrysler U.K., he pointed out that part of the funds were granted to the company in 1976 and 1977 as subsidies to offset previous losses. "This took place prior to our accord with Chrysler Corp. and I don't think the British government expects to be reimbursed," he said.

He also noted that in previous agreements between the British government and Chrysler Corp., a representative of the British government is a member of the board of Chrysler U.K., and that the situation will not change after the takeover.

Peugeot-Citroen, which only makes light trucks, plans to expand the trucking activities of the Spanish and British subsidiaries, Mr. Parayre said, pointing out that Chrysler Spain accounts for 40 percent of the domestic market for medium and heavy trucks, and that Chrysler U.K. is also well-placed.

He gave fresh details of the accord announced on Aug. 10, pointing out that the takeover of Chrysler Europe does not involve the financial subsidiaries of Chrysler Corp. in Europe.

He said that the 1.8 million new shares to be issued to Chrysler correspond to the sale of the shares of Chrysler France and that the \$230 million payment in cash correspond to its activities and distribution networks in Spain and Britain. The \$230 million will be financed out of the cash reserves built up by Peugeot-Citroen, and not through shareholder contribution or borrowings, he said.

The 1.8 million shares issued to Chrysler, which will give it a 13.5 percent stake in the French company's capital stock, will enjoy dividend rights from Jan. 1, 1980, he said. The accord provides for a transitional period through Oct. 31, 1980, during which time Chrysler will be associated in the management and the results of Chrysler's European subsidiaries, he said.

He added that under the agreement, ownership of Chrysler Europe will be transferred to Peugeot-Citroen "no later than January 1, 1979," but Chrysler will retain all benefits deriving from 49 percent of the shares until Oct. 31, 1980.

A partnership will be set up for the purpose to which will be con-

### Non-Weather Related Drop

### U.S. Leading Index Down 0.7%

WASHINGTON, Aug. 31 (UPI) — A key U.S. index designed to forecast the future path of the economy fell 0.7 percent last month for the first decline since January, the Commerce Department said today.

Furthermore, it was also the largest non-weather related drop during any single month since the tail end of the 1974-75 recession. The index of leading economic indicators declined by 1.0 percent in January, 1977, but both of those dips were attributed to the effects of severe winter weather.

The newest report, coupled with several other pessimistic economic measurements made public recently, gives a clear indication that economic growth during the second half of the year will slow considerably from the robust springtime pace.

The department reported yesterday that new orders received by the nation's factories plunged 3.8 percent during July, the steepest decline since December, 1974, indicating that industrial production will almost certainly ease in coming months.

Carter administration officials have said that economic growth should be between 3.5 and 4 percent during the final six months of 1978 after 8-percent annual growth during the spring quarter.

The July drop in the index was the first after five consecutive months of increases, including a 0.5-percent rise in June.

The leading indicators index has 12 components that are used to measure changes in general economic activity and to anticipate future trends, such as residential building permits indicating the volume of homebuilding that can be expected in the months ahead.

The department said five of the 10 indicators available for July declined, two increased and three were unchanged. The five that fell were: vendor performance, stock prices, money balance in 1972 dollars, new orders and building permits.

The two that increased were: change in sensitive prices and contracts and orders for plant and equipment. The layoff rate, average workweek and the change in total liquid assets were unchanged.

The July decrease brought the in-

F.W. Dodge division of McGraw-Hill Inc. reported.

The index of construction activity, based on 1967 equals 100, rose to 286 last month from 249 in June and 218 in July 1977. "Based on the strong volume of new work started during the past few months, the construction industry should be operating at close to full capacity for at least the balance of this year," George Christie, Dodge's chief economist, said.

### Prices on Wall St. Retreat In Brisk Trading Session

NEW YORK, Aug. 31 (AP-DJ) — Prices on the New York Stock Exchange retreated in a brisk trading session today on concern about rising interest rates and nervousness about heavy speculation in gaming issues.

Analysts said investors may have also been hesitant pending the money-supply report.

After the close, the Federal Reserve Bank said the nation's M-1 money supply fell \$400 million in the week ended Aug. 23, making the average growth in the latest four weeks 6.7 percent compared

Aug. 25.





**NEW YORK**, August 31 — Cash prices in primary markets as registered today in New York were:

Commodity and unit	Thu Year Ago
FOODS	
Coffee Accrs. lb.	N.A. 2.47
Coffee Accrs. lb. 1.55 2.00	
TEXTILES	
Prinlclth 44-300. v.d. 0.44 0.44	
METALS	
Iron & Steel (P.R.C. v.d. 317.00 299.00	
Iron & Steel (P.R.C. v.d. 214.76 219.79	
Steel scrap No. 1000 v.d. 77.74 65.40	
Lead sheet, v.d. 325.33 325.33	
Copper elec. lb. 470.48 480.00	
Tin (Stratol. lb. 6,454.5 5,548.0	
Steel & Steel 300.33 650.00	
Gold N.Y. v.d. 5,504.4 4,475.0	
COMMODITY indices	
Moody's Index (base 100 Dec. 31, 1931) August 31, 1978 928.70 1 927.00	
p — Preliminary	
— Final	
— Nominal	

### NEW YORK FUTURES

August 31, 1978

Open	High	Low	Close	Chg.
MAINE POTATOES				
10,000 lbs. centers per lb.				
Now 5.59 5.59 5.55 5.57				
Mar 6.16 6.16 6.04 6.15 +.03				
May 6.50 6.55 6.50 6.59 +1.30				
Aug 7.74 7.89 7.67 7.87 +1.14				
Est. sales: 1,917; sales Wed. 1,655.				
Total open interest Wed. 11,221 off 43 from				

COFFEE	100 lbs. centers per lb.
Sept 15.00 15.00 15.00 15.75 +.75	
Dec 15.00 15.75 15.00 15.10 +1.41	
Mar 15.25 15.25 15.25 15.25	
May 16.25 16.25 16.25 16.25	
Aug 17.50 17.50 17.50 17.50	
Sept 18.50 18.50 18.50 18.50	
Dec 19.50 19.50 19.50 19.50	
Est. sales: 785; sales Wed. 848.	
Total open interest Wed. 3,000 off 2 from	

### U.S. Commodity Prices

SUGAR NO. 11	
2,000 lbs. cents per lb.	
Oct 7.25 7.25 7.24 7.29 +.16	
Nov 7.20 7.20 7.20 7.20 +.00	
Dec 7.15 7.15 7.15 7.15 +.00	
Jan 7.10 7.10 7.10 7.10 +.00	
Feb 7.05 7.05 7.05 7.05 +.00	
Mar 7.00 7.00 7.00 7.00 +.00	
Apr 6.95 6.95 6.95 6.95 +.00	
May 6.90 6.90 6.90 6.90 +.00	
June 6.85 6.85 6.85 6.85 +.00	
July 6.80 6.80 6.80 6.80 +.00	
Aug 6.75 6.75 6.75 6.75 +.00	
Sept 6.70 6.70 6.70 6.70 +.00	
Oct 6.65 6.65 6.65 6.65 +.00	
Nov 6.60 6.60 6.60 6.60 +.00	
Dec 6.55 6.55 6.55 6.55 +.00	
Est. sales: 7,850; sales Wed. 5,500.	

Total open interest Wed. 34,205 up 100 from

COPPER	2,000 lbs. cents per lb.
Oct 62.70 62.65 62.70 62.70 +.05	
Nov 62.60 62.60 62.60 62.60 +.00	
Dec 62.55 62.55 62.55 62.55 +.00	
Jan 62.50 62.50 62.50 62.50 +.00	
Feb 62.45 62.45 62.45 62.45 +.00	
Mar 62.40 62.40 62.40 62.40 +.00	
Apr 62.35 62.35 62.35 62.35 +.00	
May 62.30 62.30 62.30 62.30 +.00	
June 62.25 62.25 62.25 62.25 +.00	
July 62.20 62.20 62.20 62.20 +.00	
Aug 62.15 62.15 62.15 62.15 +.00	
Sept 62.10 62.10 62.10 62.10 +.00	
Oct 62.05 62.05 62.05 62.05 +.00	
Nov 62.00 62.00 62.00 62.00 +.00	
Dec 61.95 61.95 61.95 61.95 +.00	
Est. sales: 2,850; sales Wed. 2,500.	

Total open interest Wed. 26,702 off 22,957.

COFFEE	2,000 lbs. cents per lb.
Sept 16.00 16.25 16.10 16.00 +.20	
Oct 16.10 16.10 15.90 15.80 +.20	
Nov 16.05 16.05 16.00 15.90 +.15	
Dec 16.00 16.00 16.00 16.00 +.00	
Jan 15.95 15.95 15.95 15.95 +.00	
Feb 15.90 15.90 15.90 15.90 +.00	
Mar 15.85 15.85 15.85 15.85 +.00	
Apr 15.80 15.80 15.80 15.80 +.00	
May 15.75 15.75 15.75 15.75 +.00	
June 15.70 15.70 15.70 15.70 +.00	
July 15.65 15.65 15.65 15.65 +.00	
Aug 15.60 15.60 15.60 15.60 +.00	
Sept 15.55 15.55 15.55 15.55 +.00	
Oct 15.50 15.50 15.50 15.50 +.00	
Nov 15.45 15.45 15.45 15.45 +.00	
Dec 15.40 15.40 15.40 15.40 +.00	
Est. sales: 1,400; sales Wed. 1,100.	

Total open interest Wed. 13,745 off 170 from

COTTON	2,000 lbs. cents per lb.
Sept 21.10 21.25 21.20 21.20 +.10	
Oct 21.05 21.05 21.05 21.05 +.00	
Nov 21.00 21.00 21.00 21.00 +.00	
Dec 20.95 20.95 20.95 20.95 +.00	
Jan 20.90 20.90 20.90 20.90 +.00	
Feb 20.85 20.85 20.85 20.85 +.00	
Mar 20.80 20.80 20.80 20.80 +.00	
Apr 20.75 20.75 20.75 20.75 +.00	
May 20.70 20.70 20.70 20.70 +.00	
June 20.65 20.65 20.65 20.65 +.00	
July 20.60 20.60 20.60 20.60 +.00	
Aug 20.55 20.55 20.55 20.55 +.00	
Sept 20.50 20.50 20.50 20.50 +.00	
Oct 20.45 20.45 20.45 20.45 +.00	
Nov 20.40 20.40 20.40 20.40 +.00	
Dec 20.35 20.35 20.35 20.35 +.00	
Est. sales: 4,250; sales Wed. 4,785.	

Total open interest Wed. 33,868 up 475 from

CRUDE OIL	2,000 lbs. cents per lb.
Sept 20.15 20.20 20.15 20.15 +.05	
Oct 20.10 20.10 20.10 20.10 +.00	
Nov 20.05 20.05 20.05 20.05 +.00	
Dec 20.00 20.00 20.00 20.00 +.00	
Jan 19.95 19.95 19.95 19.95 +.00	
Feb 19.90 19.90 19.90 19.90 +.00	
Mar 19.85 19.85 19.85 19.85 +.00	
Apr 19.80 19.80 19.80 19.80 +.00	
May 19.75 19.75 19.75 19.75 +.00	
June 19.70 19.70 19.70 19.70 +.00	
July 19.65 19.65 19.65 19.65 +.00	
Aug 19.60 19.60 19.60 19.60 +.00	
Sept 19.55 19.55 19.55 19.55 +.00	
Oct 19.50 19.50 19.50 19.50 +.00	
Nov 19.45 19.45 19.45 19.45 +.00	
Dec 19.40 19.40 19.40 19.40 +.00	
Est. sales: 1,400; sales Wed. 1,000.	

Total open interest Wed. 13,745 off 170 from

CRUDE OIL	2,000 lbs. cents per lb.
Sept 20.15 20.20 20.15 20.15 +.05	
Oct 20.10 20.10 20.10 20.10 +.00	
Nov 20.05 20.05 20.05 20.05 +.00	
Dec 20.00 20.00 20.00 20	





INTERNATIONAL HERALD TRIBUNE, FRIDAY, SEPTEMBER 1, 1978

## No Financial Risk for 1984 Games

## IOC Votes to Accept Compromise With L.A.

By Samuel Abr

LAUSANNE, Aug. 31 (IHT) — The executive board of the International Olympic Committee voted here today to accept a compromise proposal allowing Los Angeles to stage the Summer Olympic Games in 1984 without financial risk.

The decision, which was said to be unanimous on the nine-member board, followed months of bargaining over the issue of financial responsibility for the games. In the end, the IOC appeared to give way.

As expected, the executive board also voted to submit the final decision to the IOC's 89 members around the world. The mail ballot, which will close Oct. 7, will require a simple majority of 45 votes to approve the compromise agreement.

Little opposition among the members is expected to the board's recommendation of approval.

"We've got nine 'yes' votes already," Lord Killanin, the IOC president, said at a news conference tonight, referring to the executive board. "Make that 11," he added.

With a smile, "including the two United States members."

Whether the agreement will find such swift acceptance in the Los Angeles city council, which also must approve it, was uncertain.

No Los Angeles official attended the executive board's talks here this week, at which the United States Olympic Committee presented the plan for the city.

The president of the U.S. Olympic Committee, Robert Kane, said that he expected no obstacles in the Los Angeles council, some of

whose members have campaigned strongly against the games.

"What Los Angeles was worried about was financial risk," Kane said, "and now that the financial risk is protected against, I do not believe they will be anything but overjoyed at having the Olympics."

After almost nine months of negotiations with officials of Los Angeles, the only bidder for the games, Lord Killanin was less committed.

"Thank God I'm not the mayor of any city nor the member of any

city council," he said when asked how he thought Los Angeles would react. Kane added that the proposal would be given to the city council immediately.

The agreement calls for the U.S. Olympic Committee and a still-unformed Olympic Organizing Committee to assume all financial obligations, thus relieving Los Angeles of any risk, as it has insisted.

As the proposed IOC contract with Los Angeles states, "... the city of Los Angeles shall be neither responsible nor liable for any obligations incurred in the organization or conduct of the games."

The inclusion of this phrase is what the long fight has been about, with the IOC insisting that its rules had to be followed, including Rule 4, which says that the National Olympic Committee and the host city must share financial responsibility.

Lord Killanin was questioned on this point during and after the news conference.

## Rule Unchanged

"Rule 4 stands," he said. "The reason Los Angeles was not turned down in Athens (at the IOC annual meeting in May) was that it proposed an insurance indemnification plan to protect itself against financial liability."

"That plan has fallen through, but we accept that the indemnification represented by the United States Olympic Committee plan conforms with Rule 4."

Lord Killanin was asked if he thought the plan putting the financial risk on business interests, rather than on Los Angeles taxpayers, might set a precedent.

"I think it is a possibility this will set a pattern for the future," he replied.

## 3-Meter Advantage

Jahil threw past teammate Marlies Goehr, 10 meters, and Dennis Eckersley scattered five meters.

Harald Schmid of West Germany overpowered the field to win the gold medal in the 400-meter hurdles, clocking 48.50 in a light drizzle. Dimitri Sutakov of the Soviet Union was second, several meters behind, and teammate Vasily Arshchenko third.

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